



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas

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Anchorage, Alaska 99501-3560
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February 6, 2015

Pat Foley
Senior Vice President
Caelus Energy Alaska
3700 Centerpoint Drive, Suite 500
Anchorage, AK 99503

RE: MLUPNS 14-011, Geophysical Exploration Permit, Nuna 2015 3D Seismic Survey Permit Approval

Dear Mr. Reed:

The Division of Oil and Gas (Division) approves Caelus Energy Alaska (Caelus) Nuna 2015 3D Seismic Survey Miscellaneous Land Use Permit (MLUP) application, dated December 22, 2014 to conduct geophysical exploration on State of Alaska lands on the North Slope. The enclosed permit, MLUPNS 14-011, authorizes Caelus to conduct a land and sea ice based seismic survey on State of Alaska land and waters in the vicinity of the Kuparuk River Unit, Placer Unit, Ooogoruk Unit, and the Kachemak Unit subject to the conditions of the permit.

This permit is effective February 6, 2015 to May 31, 2015.

Issuance of a permit under 11 AAC 96 is not a disposal of an interest in land and does not grant a preference right to a lease or other disposal. The permit is revocable for cause for violation of a permit stipulation of this chapter, and is revocable at will if the Department of Natural Resources (DNR) determines that the revocation is in the state's interest. Each permit issued is subject to any stipulations the DNR determines necessary to assure compliance with this chapter, to minimize conflicts with other uses, to minimize environmental impacts, or otherwise to be in the interests of the state. Public notice of any miscellaneous land use application is discretionary under 11 AAC 96.030(c). The Director of the Division of Oil and Gas (Director) has the right at any time to amend or modify any provisions of this permit, or revoke this permit.

Project Description: Proposed Activity, Associated Structures, Type of Equipment

Caelus plans to conduct a three-dimensional (3D) seismic survey in the vicinity of the Kuparuk River Unit, Placer Unit, Ooogoruk Unit, and the Kachemak Unit. The survey will cover approximately 116 square miles and will occur during the 2015 winter season (Appendix C).

The proposed program will be acquired on State and private lands. Caelus will be mobilizing their equipment and camp from the Geokinetics Deadhorse facility via the existing roadways within the

Prudhoe Bay, Kuparuk River and Oooguruk units. The camp will be transported to a predetermined location in order to enter the program area.

Seismic operations will be conducted utilizing 12-14 tracked vibrators supported by tracked cable trucks and Tucker SnoCats. Receiver (i.e. geophone) lines will be spaced at pre-determined intervals with a group of 1-3 geophones spaced incrementally along the line to receive a response from the subsurface. Twenty to twenty six receiver lines may be placed on the ground at any one time. Vibrator weight is displaced by rubber-tracks with an equivalent footprint of 15 lbs. per square inch of pressure. Vibrator lines (source lines) will run east to west within the program area. Source lines will be spaced approximately 500-900 feet apart; and the vibroseis points will be acquired every 50-200 ft. along the line. The source is vibroseis with a frequency of approximately 4 to 100 Hz; the anticipated duration is 8 to 12 seconds for each sweep. The duration and decibel level of the source varies depending on such factors as terrain and weather conditions.

Cleanup operations will be conducted the summer of 2015 after the seismic program to inspect for any remaining debris not identified and removed during demobilization activities and to identify any remnant issues.

Scope of Decision:

This decision is reviewing the following activities for Division approval:

Activities supporting seismic data acquisition as defined in the application.

This decision is not reviewing the following activities for Division approval:

Off-road travel within the Umiat Meridian in the North Slope area has been designated as Special Use Lands under ADL 50666. A permit may be required from the Division of Mining, Land and Water (DMLW) for motorized use, unless that use is for subsistence purposes or is on a graveled road. Tundra travel is approved by DMLW.

Land Status:

The proposed Nuna 2015 3D seismic survey program is located on state land, sea ice, and private lands on the North Slope (Appendix C). Caelus plans to acquire approximately 116 square miles of data within the following locations:

Survey Line Locations by Meridian, Township, Range, & Section(s)

Meridian: Umiat

Township: 11N	Range: 6E	Section(s): 10-15, 21-28
	Range: 7E	Section(s): 1-12, 14-23, 26-30
	Range: 8E	Section(s): 6-7
Township: 12N	Range: 7E	Section(s): 1-36
	Range: 8E	Section(s): 5,6,7,1B,19,30,31
Township: 13N	Range: 7E	Section(s): 1,12,13,24,25,26
	Range: 8E	Section(s): 18-19, 30-31

Other third party interests identified by DMLW.

ADL 50666 – North Slope Special Use Area
LAS 29386 – Off-road Travel Authorization

Agency Review:

The Division provided an Agency review and comment opportunity for the activities considered for authorization under this decision. The following government entities were notified on January 6, 2015 for comment on the Permit: Alaska Department of Fish and Game (ADFG), Alaska Department of Environmental Conservation (ADEC), and DNR: State Pipeline Coordinator's Office, Division of Mining, Land and Water, Office of Project Management and Permitting, and Division of Oil and Gas. The comment deadline was 4:30 pm Alaska time on January 20, 2015. The Division received no comments.

Public Review:

The public notice process is discretionary and was not initiated for this application.

Performance Guarantee:

The permittee has provided the Division with a performance guarantee under 11 AAC 96.060 in the amount of \$100,000.

Application Approved:

Should any unforeseen issues arise, the Division has authority to revoke or amend this permit. As detailed in this authorization, the Division shall be notified if, during the conduct of operations, a surface use conflict occurs. All operations conducted under this permit are subject to inspection by the Division, and if damage occurs, appropriate interest holders will be engaged, and corrective action will be prescribed. The Division will impose additional provisions as necessary under 11 AAC 96.040 at any time during the activity approved under this authorization to minimize impacts and conflicts.

The Division considered all facts material to this application including the permit provisions contained in this authorization per 11 AAC 96.040(b). The Division has determined that this permit and attached provisions for this non-permanent activity as conditioned is in the state's interest. Stipulations in this permit authorization are necessary to protect the state's interest and the public interest.

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of issuance of this decision, as defined in 11 AAC 02.040 (c) and (d), and may be mailed or delivered to the Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to (907) 269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,



Kim Kruse
Permitting Manager
Division of Oil and Gas

Appendices: A: Stipulations
 B: Comments
 C: Map(s)

ecc:

DOG: Kim Kruse, Nathaniel Emery, Amy Karn, Conor Williamson, Jeanne Frazier, Temple Davidson, James Hyun

DMLW: Melissa Head, Sean Willison, Brian Jackson;

ADF&G: William Morris, Jack Winters;

ADEC: Sharon Morgan, Wastewater Discharge, Oil & Gas;

Borough: Gordon Brower, Thomas Brower III

APPENDIX A: STIPULATIONS
MISCELLANEOUS LAND USE PERMIT FOR GEOPHYSICAL EXPLORATION

Geophysical and Seismic activities are subject to the following permit stipulations:

Standard Stipulations:

1. The permittee shall defend, indemnify and hold the State of Alaska harmless from and against any and all claims, damages, suits, losses, liabilities and expenses for injury to or death of persons and damage to or loss of property arising out of or in connection with the entry on and use of State lands authorized under this permit by the permittee, its contractors, subcontractors and their employees.
2. A copy of the permit and stipulations must be posted in a prominent location where other permits and safety information are displayed for crew members. The permittee shall make available a copy of the application, all subsequent modifications, and a copy of this permit and all its attachments to any interested party upon request and in a reasonable time.
3. The permittee shall notify and obtain a modification from the Division in advance of any activities which deviate from the approved permit. Any action taken by the permittee or his agent which increases the overall scope of the project or which negates, alters, or minimizes the implied intent of any stipulation contained in this permit will be considered a significant deviation from the approved permit.
4. The issuance of this authorization does not alleviate the necessity of the permittee to obtain authorization required by other agencies for this activity.
5. The permittee shall inform and ensure compliance with all conditions of this permit by its employees, agents and contractors, including subcontractors at any level.
6. **Reservation of Rights:** The Division reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this authorization. Authorized concurrent users of state land, their agents, employees, contractors, subcontractors, and licensees, shall not interfere with the operation or maintenance activities of each user.
7. **Valid Existing Rights:** This authorization is subject to all valid existing rights and to the land. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.
8. The Commissioner of the DNR may require that an authorized state representative be present during any oil and gas activities described in or conducted under this permit.
9. The permittee shall consult the Alaska Heritage resources Survey (907-269-8721) so that known historic, archeological and paleontological sites may be avoided. Should any sites be discovered during the course of field operations, activities that may damage the site will cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (907-269-8721) shall be notified immediately.
10. The permittee shall make available, to the Division, all records relating to the survey operations and landowner approvals upon request.

11. The permittee shall observe and apply applicable setbacks as defined by 18 AAC 80.020, 18 AAC 72 and/or the International Association of Geophysical Contractors Setback Guidelines to activities approved under this authorization. Alternative setback distances may be employed to protect coastal uses and resources, water wells, structures, private property including livestock, and other resources if it is determined that a particular guideline is insufficient.
12. Trails, campsites and work areas must be kept clean. Trash, survey lath, markers, and other debris that accumulates in camps, along seismic lines, and travel routes, that are not recovered during the initial cleanup, shall be picked up and properly disposed of within one calendar year.
13. The Director has the right at any time to modify or revoke this permit.
14. All wastewater must be disposed of in a manner acceptable to ADEC and must meet Alaska Water Quality Standards found at: <http://dec.alaska.gov/water/wqsar/wqs/>.
15. ADEC Drinking Water regulations 18 AAC 80 apply to public water systems.

Land and Access Stipulations:

1. The permit authorizes the Permittee to conduct geophysical/seismic exploration activity upon authorized lands owned by the State of Alaska. No person may engage in mineral exploratory activity on land, the surface of which has been granted or leased by the State of Alaska, or on land for which the state has received the reserved interest of the United States.
2. This approval does not authorize activity on Mental Health Trust Lands, School Trust Lands, Park Lands, or Lands of the University of Alaska.
3. Approval of this permit does not constitute the approval required for surface entry on non-state land without an agreement with the surface owner. This permit does not approve entry on private land.
4. The seismic exploration activities granted under this permit must not diminish the use and enjoyment of lands encompassed within a Native Allotment. Before entering a pending or approved Native Allotment, the permittee shall contact the Bureau of Indian Affairs and Bureau of Land Management and comply with applicable federal law.

Public Safety and Program Outreach Stipulations:

1. Public safety: Appropriate signage will be deployed on all access routes and roadways in the project area. The Department of Transportation or Right of Way Lessee may advise permittee on appropriate measures to maintain safe conditions where appropriate. The permittee must watch for, provide verbal warning to and document people or vehicles entering potentially dangerous areas of the project. Lighting and marking with lath or fluorescent tape of some project work areas is advised for operations that occur during periods of sustained darkness or where conditions are unsafe for humans or animals.
2. Notices: To avoid unintended conflicts with other users, the permittee shall post a Notice of this project at conspicuous locations including key travel intersection crossings, areas of public use and in a prominent location in any operators or contractors staging area or camp. The Notice shall

include the Division's contact number (907-269-8800), project title and permit number, names and contact telephone numbers of the permittee and all operators. The permittee shall provide notices on behalf of the Division to all upland owners involving shoreland, tideland, or submerged land adjacent to the upland owner's property if no notice or agreement is made with the owner by the permittee as required under 11 AAC 96.030(c). All forms of public outreach must be documented and reported to the Division as they occur.

3. In areas of subsistence and personal use harvesting, the permittee will coordinate survey activity with local users to prevent unnecessary conflicts. The permittee shall make a good faith attempt to coordinate survey activities with the owners of trap lines if known. Existing snowmachine, dogsled, or other trails, should be marked with survey lath where they intersect receiver and source lines. The permittee is required to post notice of potentially dangerous or hazardous project activities at these locations.

Fuel and Hazardous Substances Stipulations:

1. Fuel and hazardous substances. Secondary containment shall be provided for fuel or hazardous substances, as defined under AS 46.03.826 (5) or under 42 U.S.C. 9601(14)F.
 - a. Fuel or hazardous substance transfers. Secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment to respond to a spill of up to five gallons must be on hand during any transfer or handling of fuel or hazardous substances. Transfer operations shall be attended by trained personnel at all times.
 - b. Stationary fuel storage facilities must not be placed within the annual floodplain of a freshwater watercourse or closer than 100 ft. to a waterbody. Fueling, servicing, and repair of vehicles or equipment shall be avoided whenever possible; and no vehicles shall be left unattended within the floodplain or below the ordinary high water (OHW) line of any river, lake or stream or closer than 100 ft. to a freshwater waterbody or wetland.
 - c. Fueling of equipment in the marine and surf zone for the proposed seismic operations must comply with applicable statutes and regulations.
2. Sorbent material in sufficient quantity to handle operation spills must be on hand at all times for use in the event of an oil or fuel spill.
3. Any use of explosives or blasting materials must comply with ADFG Habitat Publication No. 13-03, Alaska Blasting Standard for the Proper Protection of Fish. Additionally the permittee must contact the nearest ADFG Division of Habitat office regarding the need for a Fish Habitat permit.
4. Stationary fuel storage facilities must not be placed within the annual floodplain of a watercourse or closer than 100 feet to a waterbody. There shall be no fueling, servicing or repair of vehicles or equipment, and no vehicles shall be left unattended within the floodplain or below the ordinary high water line of any river, lake or stream or closer than 100 ft. to a waterbody or wetland.

Wildlife Stipulations:

1. All activities shall be conducted in a manner to minimize or avoid disturbance to wildlife and their habitat. Hazing of wildlife is prohibited unless a Health Safety and Environment concern is present.
2. Operations must avoid occupied grizzly bear dens and black bear dens, by one-half mile unless alternative mitigation measures to minimize disturbance are authorized by the Division after consultation with ADFG. Known den locations shall be obtained from the nearest ADFG Division of Wildlife Conservation office prior to starting operations. Occupied dens encountered in the field must be reported to the above, and subsequently avoided.
3. The permittee shall abide by the provisions of Alaska's wildlife feeding regulation, 5 AAC 92.230.
4. Operations within State-designated special areas (AS 16.20.010- .162, .500-.690) will be conducted in a manner consistent with the area's statutes regulations and management plan.
5. Operations must avoid known polar bear dens by one mile. Known den locations shall be obtained from the U.S. Fish and Wildlife Service (907-786-3800 or 800-362-5148) prior to starting operations. New dens encountered in the field must be reported to the above, and subsequently avoided by one mile.

North Slope Stipulations:

1. Crossing of water bodies and operations near fish bearing water bodies may require permits from ADFG, the permittee is required to obtain all permits necessary for this project prior to commencing activities authorized by this permit.
2. All solid wastes, including incinerator residue, shall be backhauled to a solid waste disposal site approved by ADEC.
3. The use of ground contact vehicles for off-road travel must be limited to those areas which have adequate ground frost and snow cover to prevent damage to the ground surface as determined by DNR DMLW NRO. Movement of equipment through willow (Salix) stands must be avoided wherever possible. The use of ground contact vehicles for off-road travel is subject to regional tundra travel openings and closure notices issued by DNR DMLW NRO.
4. Vehicles shall be operated in a manner such that the vegetative mat is not disturbed, and blading or removal of vegetative cover is prohibited except as approved by DNR DMLW NRO. Filling of low spots and smoothing using snow and ice is allowed. Incidents of vegetative mat damage and follow-up corrective actions shall be reported to the Division.
5. The DNR/DMLW maintains tundra monitoring stations throughout the North Slope. Tundra monitoring stations must not be impacted by permitted activities. Specific location information for these sites can be obtained from the DNR/DMLW directly at (907) 451-2740.

Reporting Stipulations:

1. Spill Notifications: The permittee shall comply with the ADEC requirements for reporting the unauthorized discharge, leak, or spill of hydrocarbons or toxic or hazardous substances. The permittee shall notify the Department of Natural Resources of all spills that must be reported under 18 AAC 75.300 under timelines of 18 AAC 75.300. All unintentional fires and explosions must be reported to DNR immediately. The DNR 24 hour spill number is (907)-451-2678; the fax number is (907) 451-2751. DNR and ADEC shall be supplied with all follow-up incident reports.
2. Blowouts, as defined as the detonation of source points that caused surface damaged, are reportable if the surface damaged is larger than 36 inches. The report must include the location (Lat./Long. in WGS 84) and pictures of the blowout. All blowouts will need to be reclaimed or rehabilitated to the satisfaction of the Alaska DNR.
3. As a stipulation of the issuance of this MLUP for Geophysical Exploration, the permittee acknowledges the requirements of 11 AAC 96.210 (1) and agrees to notify the Director of the Division and submit seismic exploration data. The Geophysical Data Submission Requirements can be found on the DNR Division's Website <http://dog.dnr.alaska.gov/Permitting/permittingForms.htm>. Your signature acknowledges your obligation to fulfill the Data Submittal requirements.
4. The permittee must complete and return a Geophysical Activity Completion Report form for each set of 3D data acquired. Please submit a separate form for each sub-program data submittal. A non-confidential public completion report will be placed into the permit file each time a sub-program is completed. Completion reports must be submitted to our office by July 1 of the following year. For in depth instruction on how to complete the form please refer to the Division's permitting website <http://dog.dnr.alaska.gov/Permitting/PermittingForms.htm>.
5. A summary record of all surface impacts, lost equipment, spills, fires, and unintended explosions, shall be included in the completion report. Rehabilitation, if required, shall be completed to the satisfaction of the DNR.
6. All fires and explosions that require a response to protect life and property must be reported to DNR and ADEC immediately and shall be supplied with all follow-up incident reports.
7. The Division's Permitting Section shall be notified in Anchorage by telephone at 907-269-8800 and by email at dog.permitting@alaska.gov if, during the conduct of operations, state resources are damaged or a conflict occurs.
8. Annual Reports: if the term of the MLUP exceeds on calendar year from the date of approval an annual report must be submitted and discuss the project timeline, progress, project work and continued public outreach.
9. Completion Statement: Upon expiration of the MLUP or completing all operations authorized under the MLUP, whichever occurs first, a completion report must be submitted and discuss a summary of operations, equipment trails, camps and staging areas, damages to State lands, spills, land-use conflicts and work completed.

10. The permittee shall make available a copy of the seismic plan of operations, all subsequent modifications, and a copy of this permit and all its attachments to any interested party upon request and in a reasonable time.

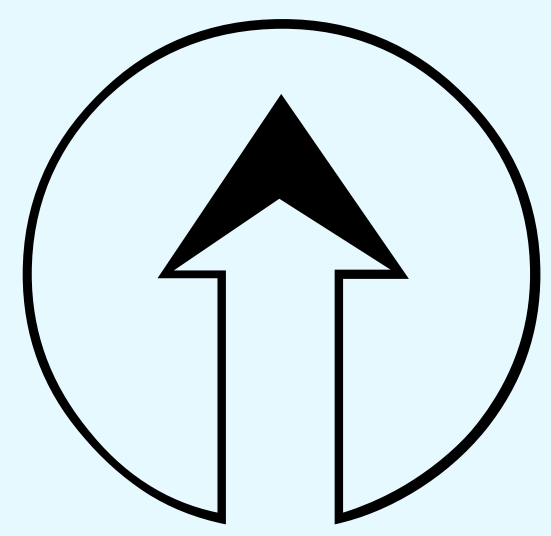
I acknowledge, and agree to these Permit terms, conditions and stipulations.

Authorized Representative

Date

APPENDIX B:

No Comments were received.



APPENDIX: C

Beaufort Sea

Nuna 2015 3D
Land Ownership

CAELUS
Energy Alaska

Project Map

Date: 12/30/2014

Coordinate System: NAD 1983 StatePlane Alaska 4 FIPS 5004 Feet
Projection: Transverse Mercator
Datum: North American 1983
False Easting: 1,640,416.6667
False Northing: 0.0000
Central Meridian: -150.0000
Scale Factor: 0.9999
Latitude Of Origin: 54.0000
Units: Foot US

Legend

- Caelus 2015 3D
- State Tentatively Approved or Patented - All py
- Municipal Entitlement
- Native Allotment
- Arctic Slope Region ASR
- Alaska Townships
- Alaska Sections

Pipeline

TYPE

- Above Ground
- Buried

Roads

TYPE

- Arterial
- Facility Access
- Primary Road
- Secondary Road

1:50,000

0 0.5 1 2 3 Miles

Project: Nuna 2015 3D

Client: Caelus

Option: 12

Location: North Slope, Alaska

